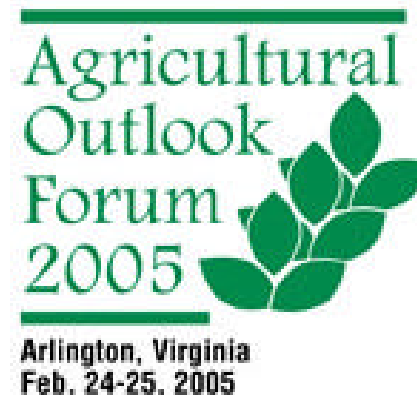
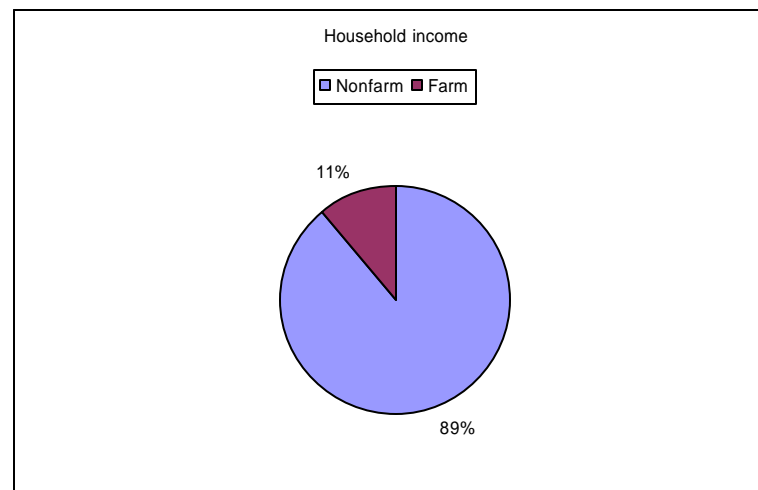


Income and Wealth of Households Who Operate U.S. Farms

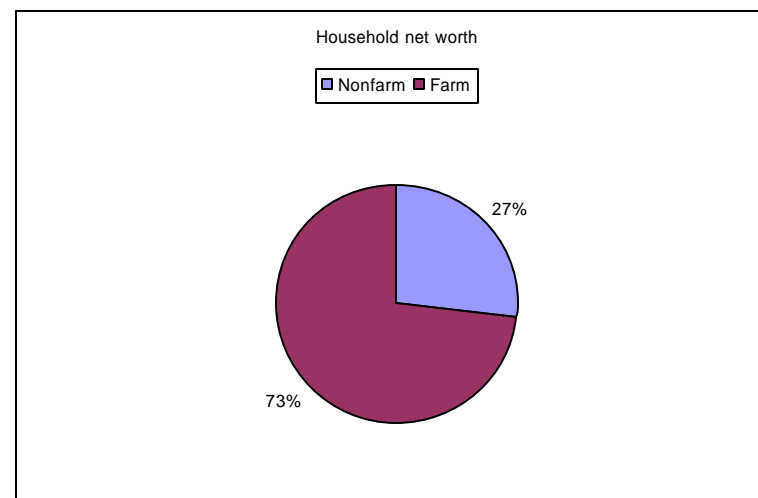
Robert Green and
Mary Clare Ahearn



► The average farm share of the farm operator household income is small



► The average farm share of the farm operator household net worth is large



Source: <http://www.ers.usda.gov/Briefing/FarmIncome/>

- ▶ The outlook for (principal) farm operator households corresponds to that of the farm sector.
- ▶ The farm operator household population is only one farm entrepreneurial group. Other groups include partners, corporate officers, landlords, and contractors. And, of course, other farm households include hired farm workers.

Average Income of Farm Operator Households, 2001-2005F



Item	2001	2002	2003F	2004F	2005F
Dollars per farm					
Net cash farm business income	14,311	11,331	14,569	15,458	15,361
-Less depreciation	7,609	8,189	7,346	na	na
-Less wages paid to operator	932	758	682	na	na
-Less farmland rental income	477	621	592	na	na
-Less farm income due to other household(s)	1,083	1,248	1,401	na	na
Dollars per farm operator household					
Equals adjusted farm business income	4,211	516	4,547	na	na
-Plus wages paid to operator	932	758	682	na	na
-Plus net income from farmland rental	na	na	na	na	na
-Plus other farm-related earnings	396	2,199	2,411	na	na
Equals farm earnings of the operator household	5,539	3,473	7,640	8,236	8,099
-Plus off-farm income of the operator household	58,578	62,285	60,865	62,858	64,971
Equals average farm operator household income	64,117	65,757	68,506	71,095	73,070

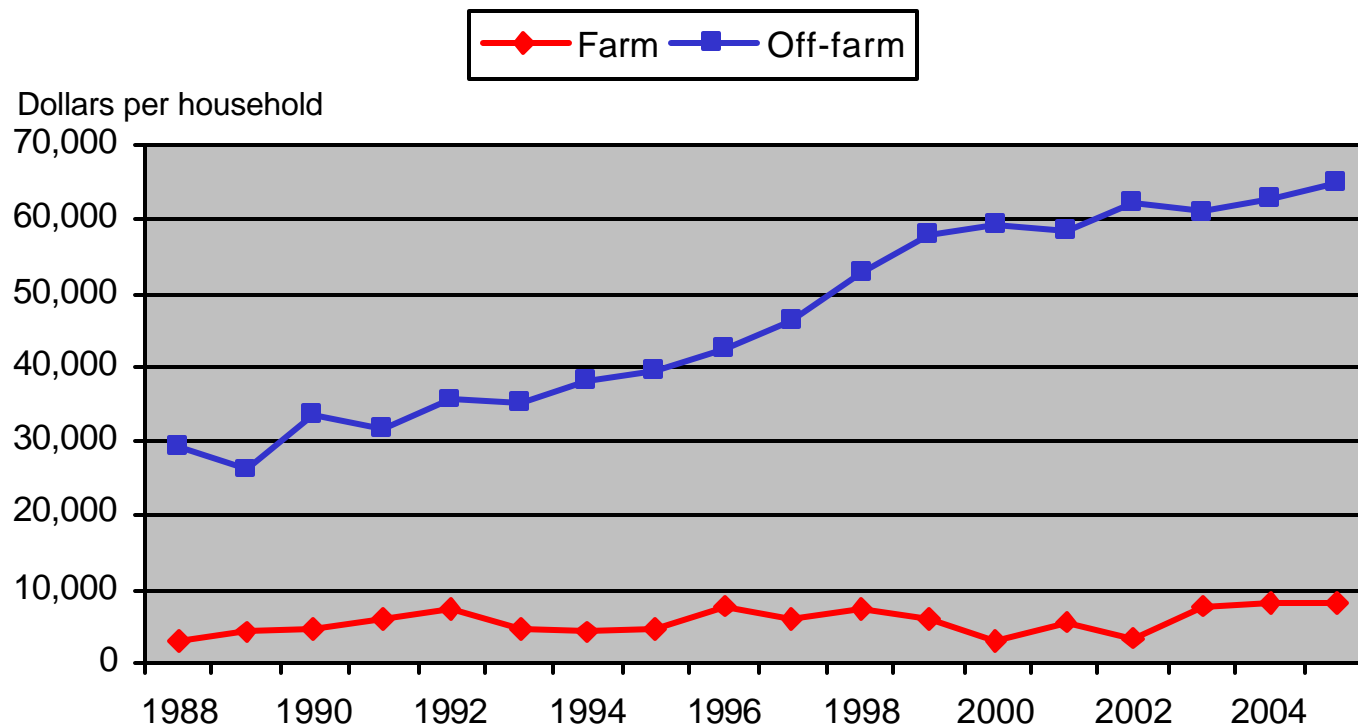
P = Preliminary. F = forecast. n.a. = not available.
Source: USDA, ERS, Farm Income briefing room.

USDA Outlook Forum 2005

Off-farm income has been a source of growth and stability in the household income of farm operators

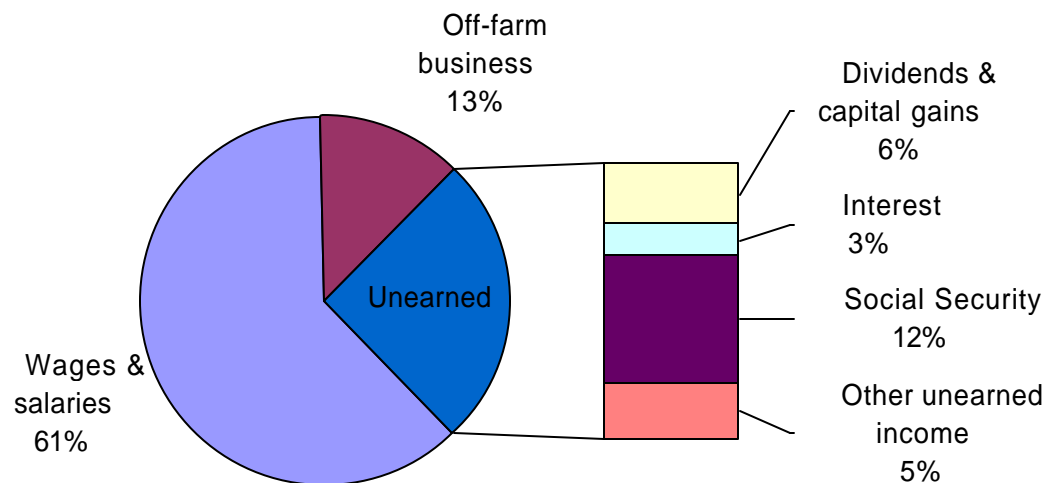


Average farm and off-farm income of farm operator households, 1988-2005F



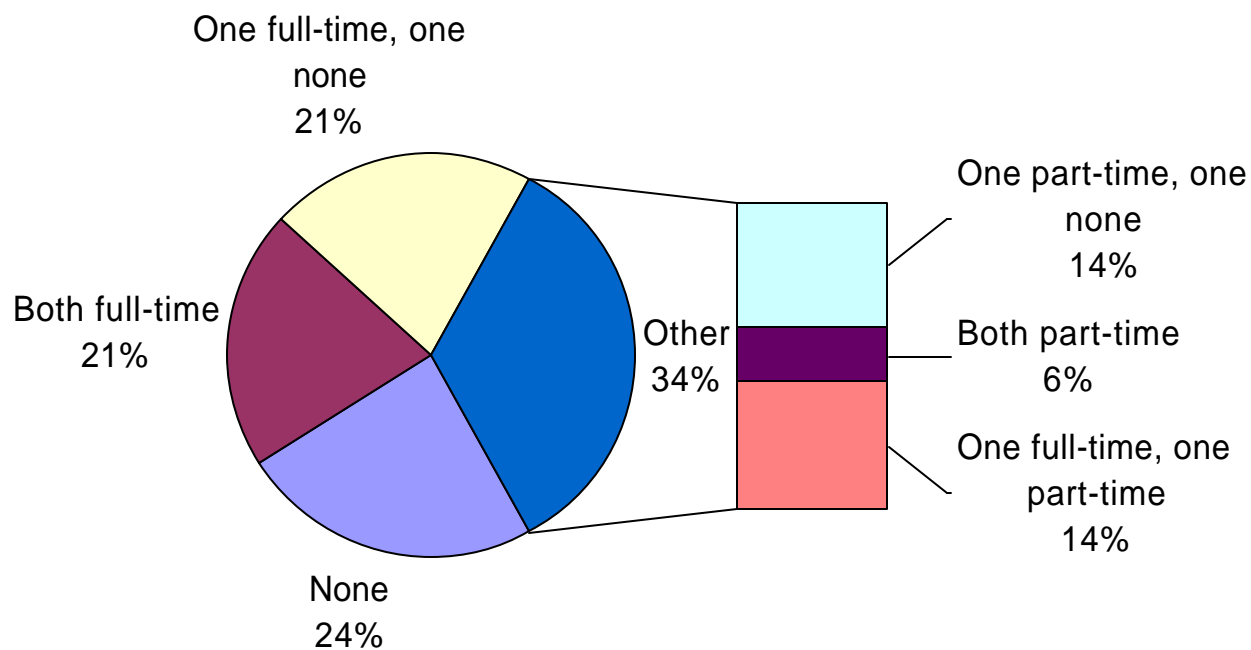
The majority of off-farm income is from wages and salaries

2003 average off-farm income = \$60,865



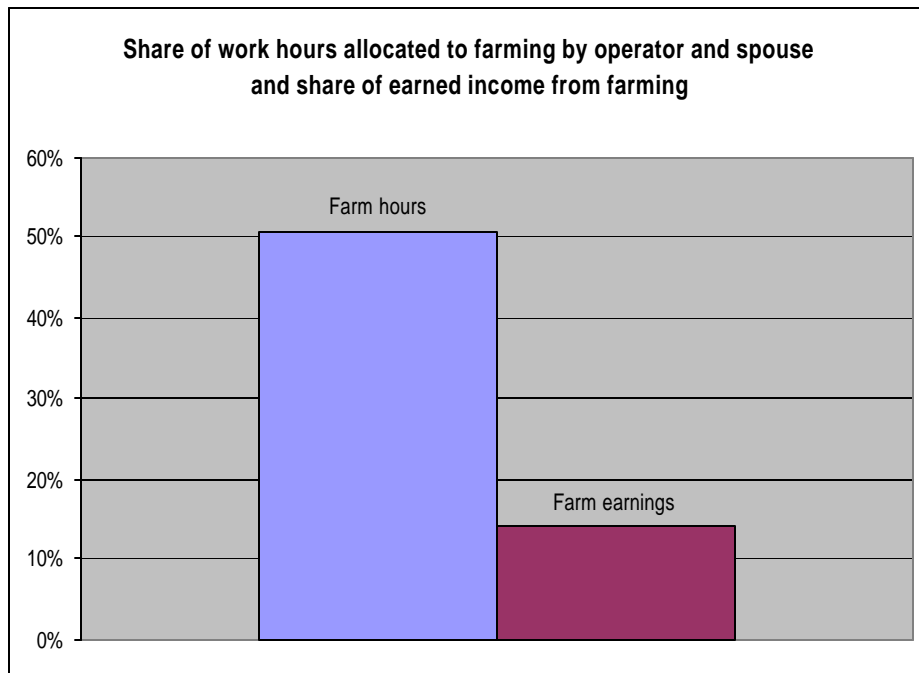
Working off the farm either full-time or not at all is most common

Off-farm work of the operator and spouse, 2002



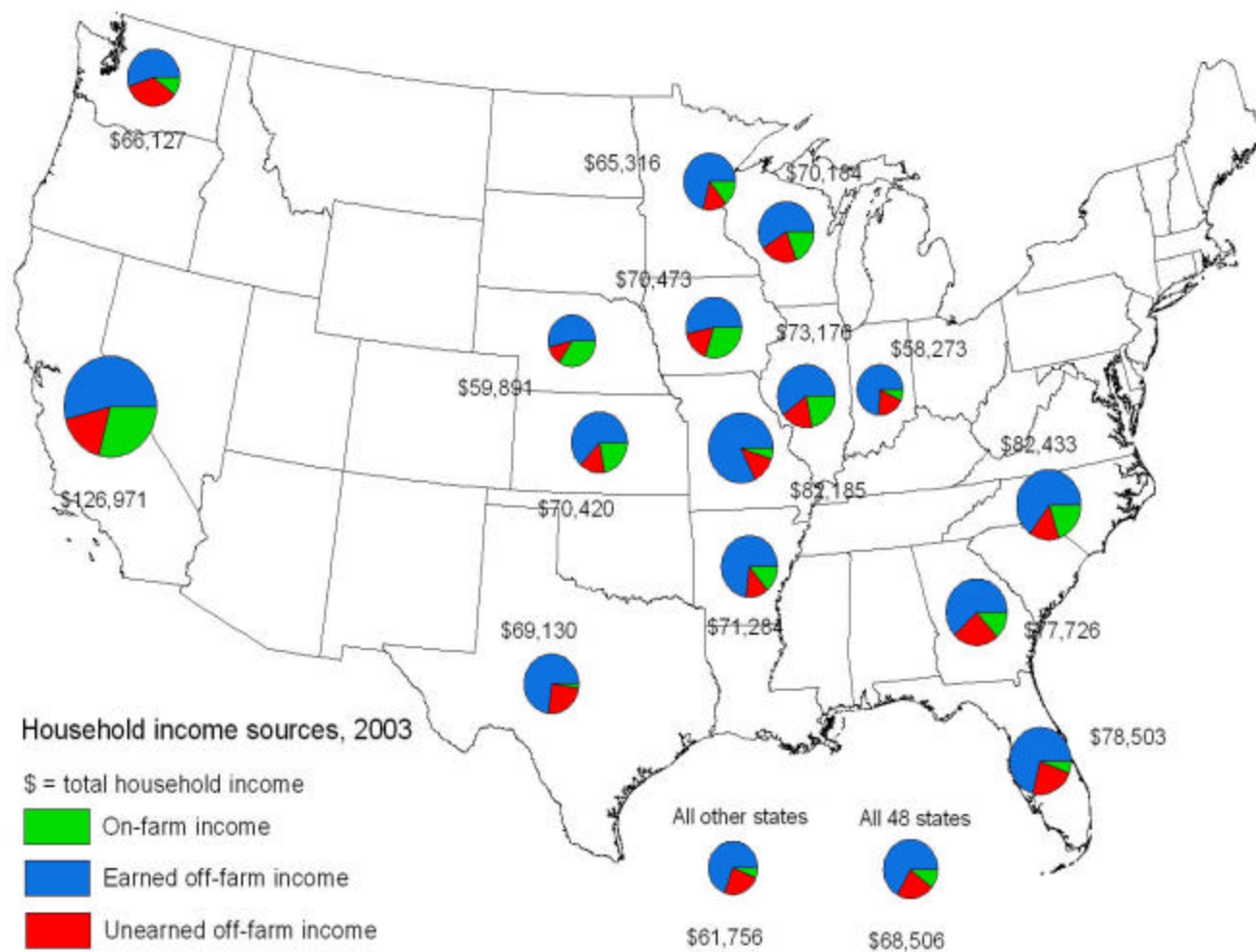
Excludes farm households without a spouse.

Although the farm share of household income is small, a much larger share of work time is allocated to farming

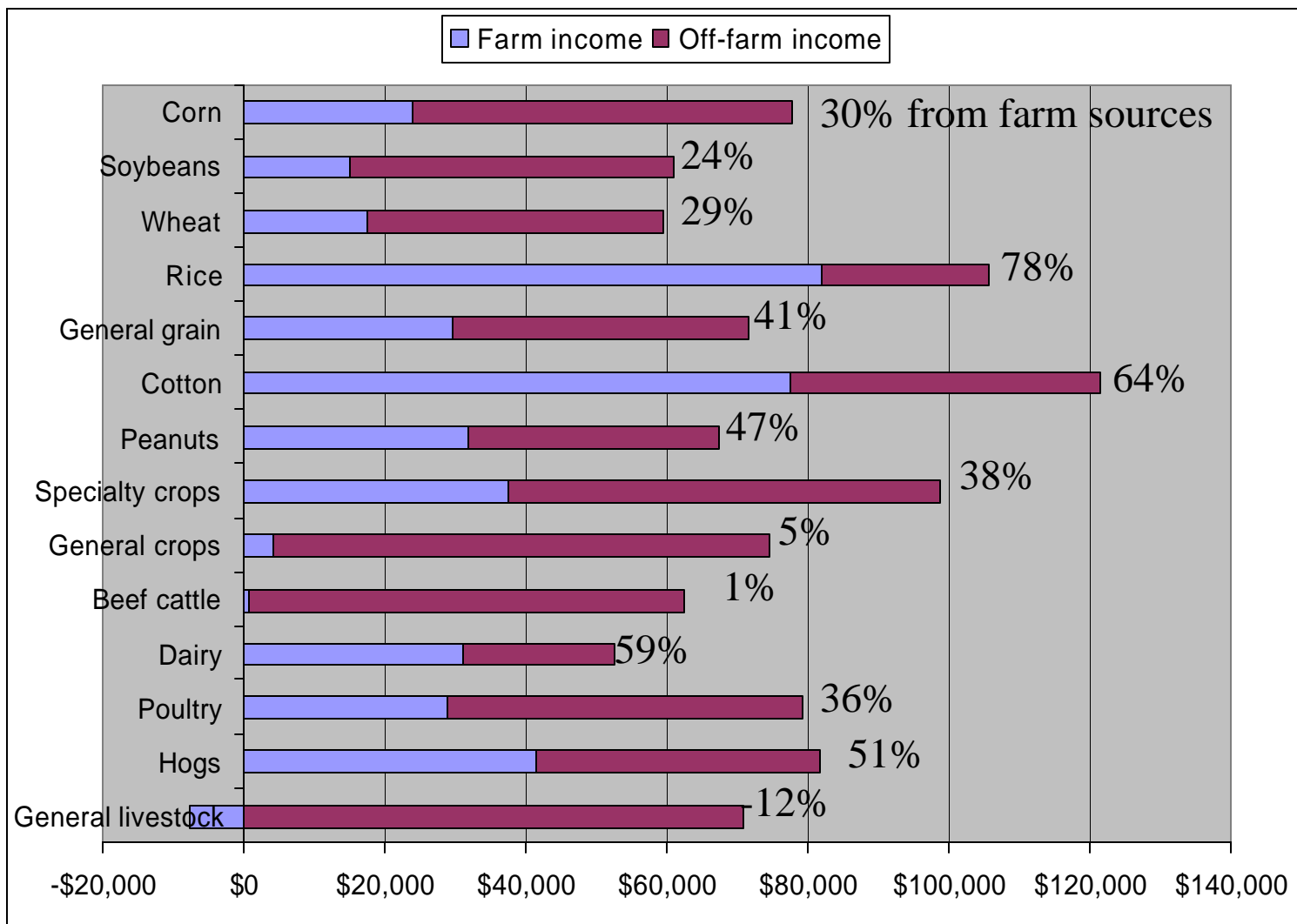


- ▶ Why do farm households allocate so much time to farming, given apparent lower returns? Why do households with negative farm incomes continue to farm year after year?
- ▶ Capital gains
- ▶ Rental value of farm dwelling
- ▶ Tax advantages
- ▶ Psychic income

California has the largest farm and off-farm income levels of the 15 states



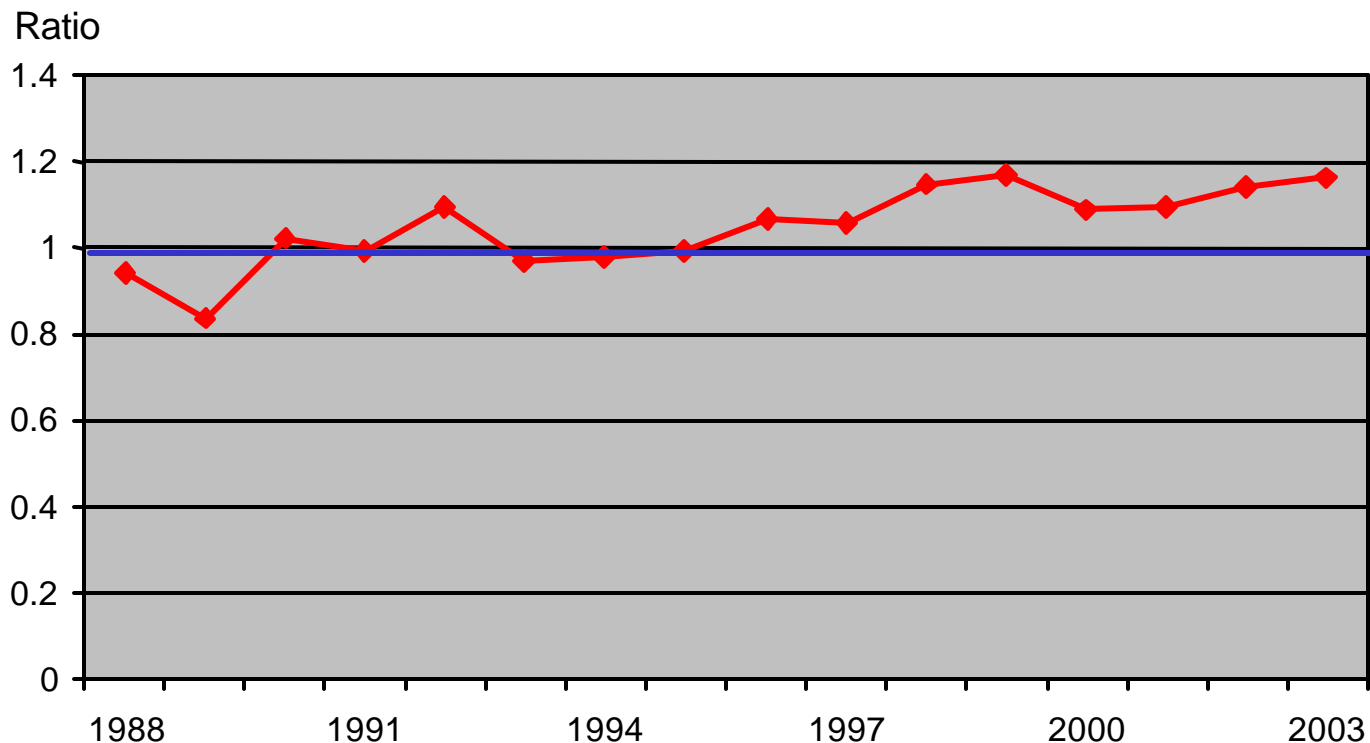
Households that specialize in cotton or rice have the highest farm and total household income, 2003



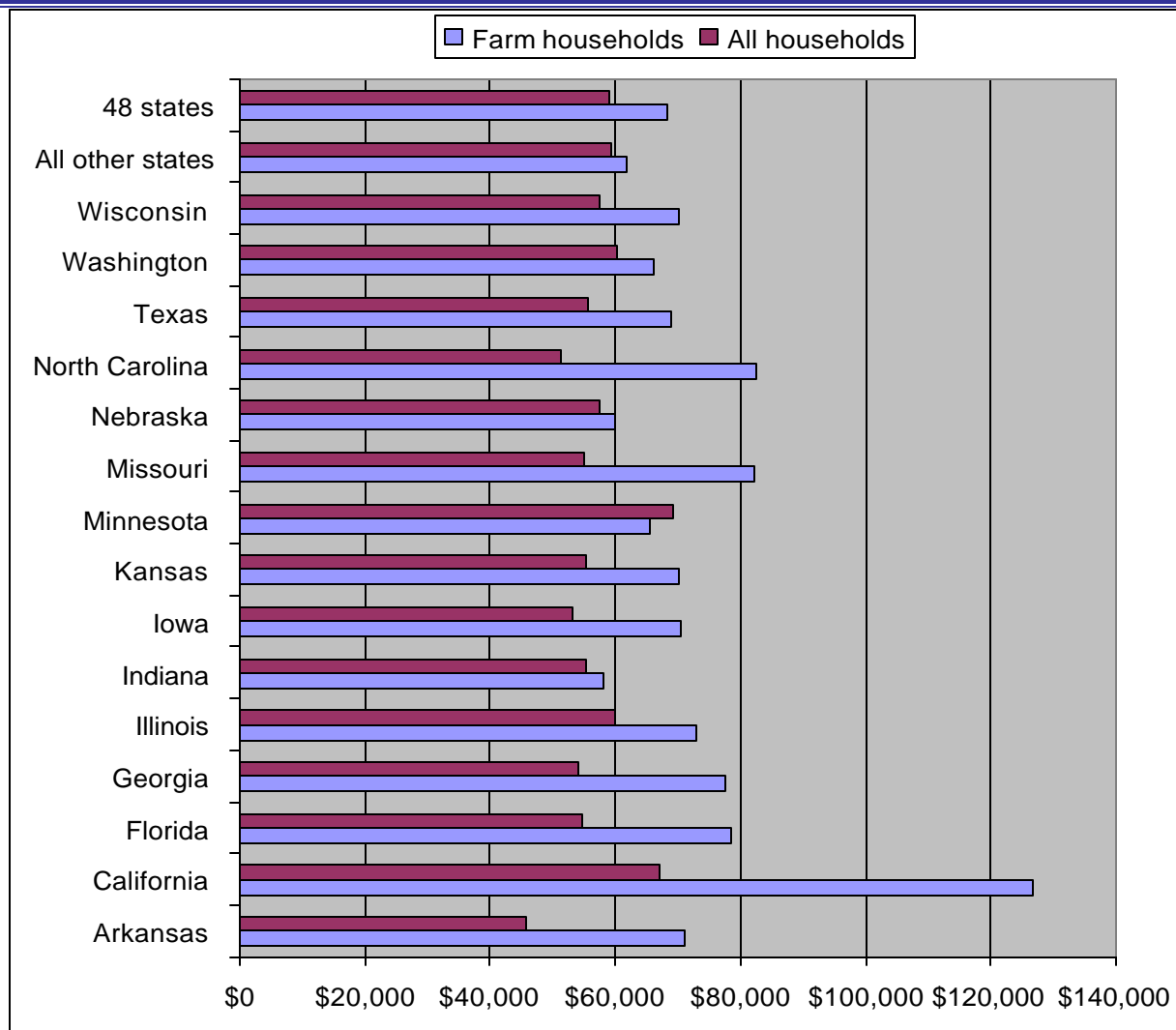
The average incomes of farm operator households have been on par with U.S. households for some time



Ratio of average income of farm operator household to U.S. average household income, 1988-2003



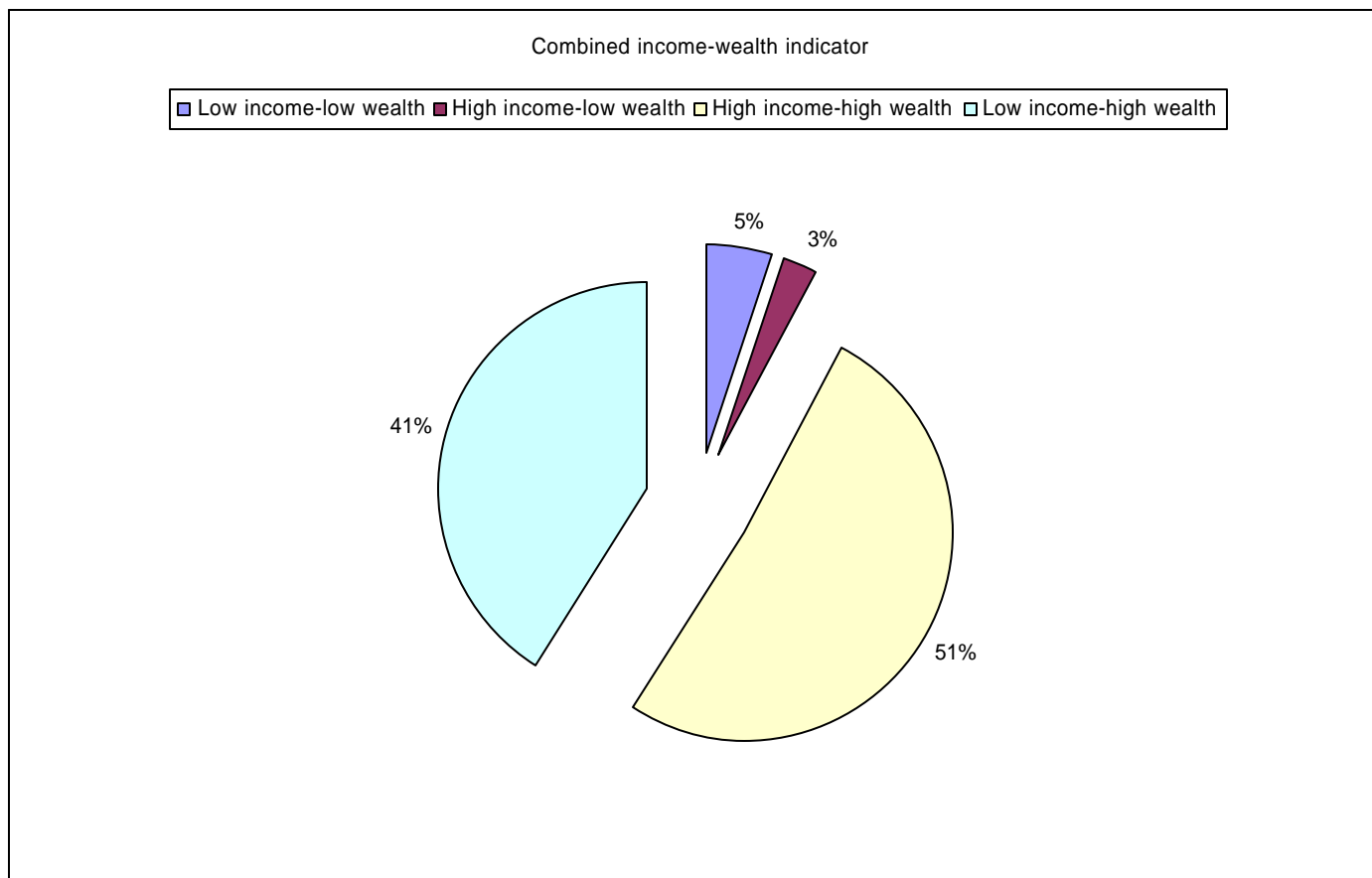
The average farm household income is generally greater than the average income of all households in a state, 2003



Source: USDA, Agricultural Resource Management Survey, 2003 and U.S. Census Bureau, Current Population Survey, 2004 Annual Social and Economic Supplement .

USDA Outlook Forum 2005

Farm operator household income and wealth as compared to the median for all U.S. households, 2003



The combined indicator classifies individual farm operator households into 1 of 4 categories based on their income and wealth position (i.e., high or low), compared to the median income and wealth position of all U.S. households.

Average statistics for all (principal) farm operator households masks the diversity. Three subgroups of interest are:

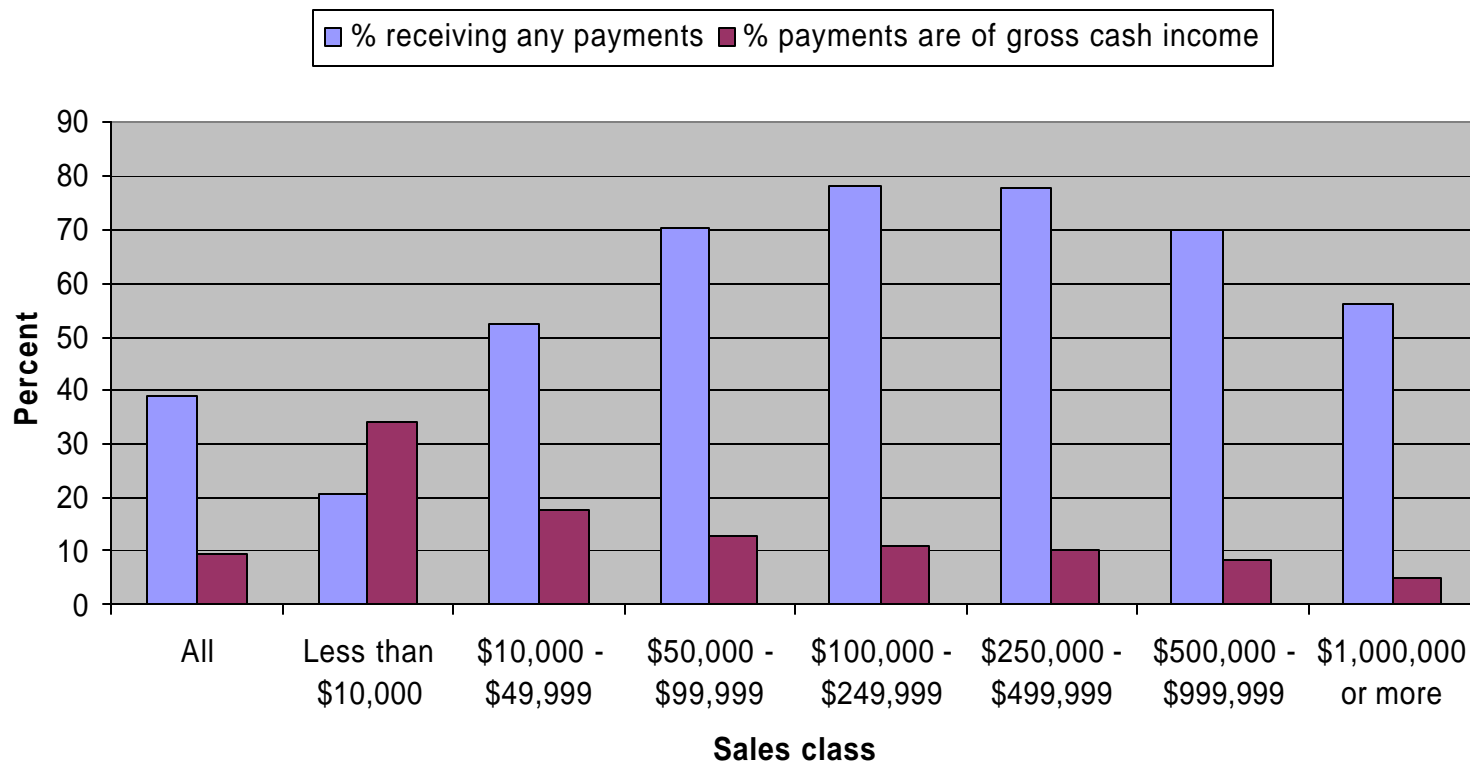


- ▶ Limited resource farm operator households
- ▶ Farm operator households that receive government payments
- ▶ Farm households that operate the large farms that account for the bulk of U.S. food production

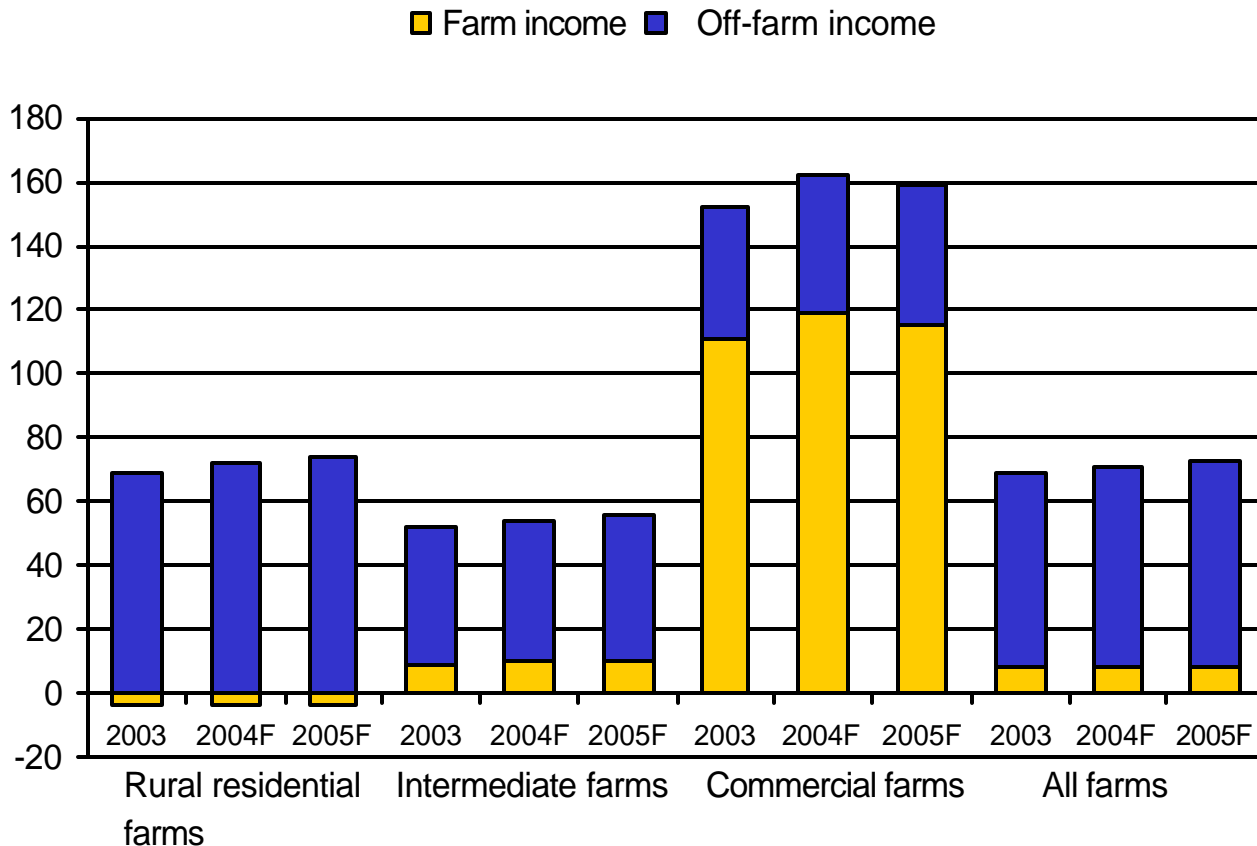
- ▶ 2003 USDA definition is one with sales of under \$102,400 in each of the two previous years and household income at or below the national poverty level for a family of four, or household income less than 50 percent of the county median household income in each of the two previous years.
- ▶ There were about 200,000 farm households that met that definition.
- ▶ The majority did not work off the farm. Many were retired. Many had significant assets.
- ▶ Average household income was \$6,206 in 2003.

Participation increases with farm size, at first. Average payments increase with farm size, but share of gross farm income declines

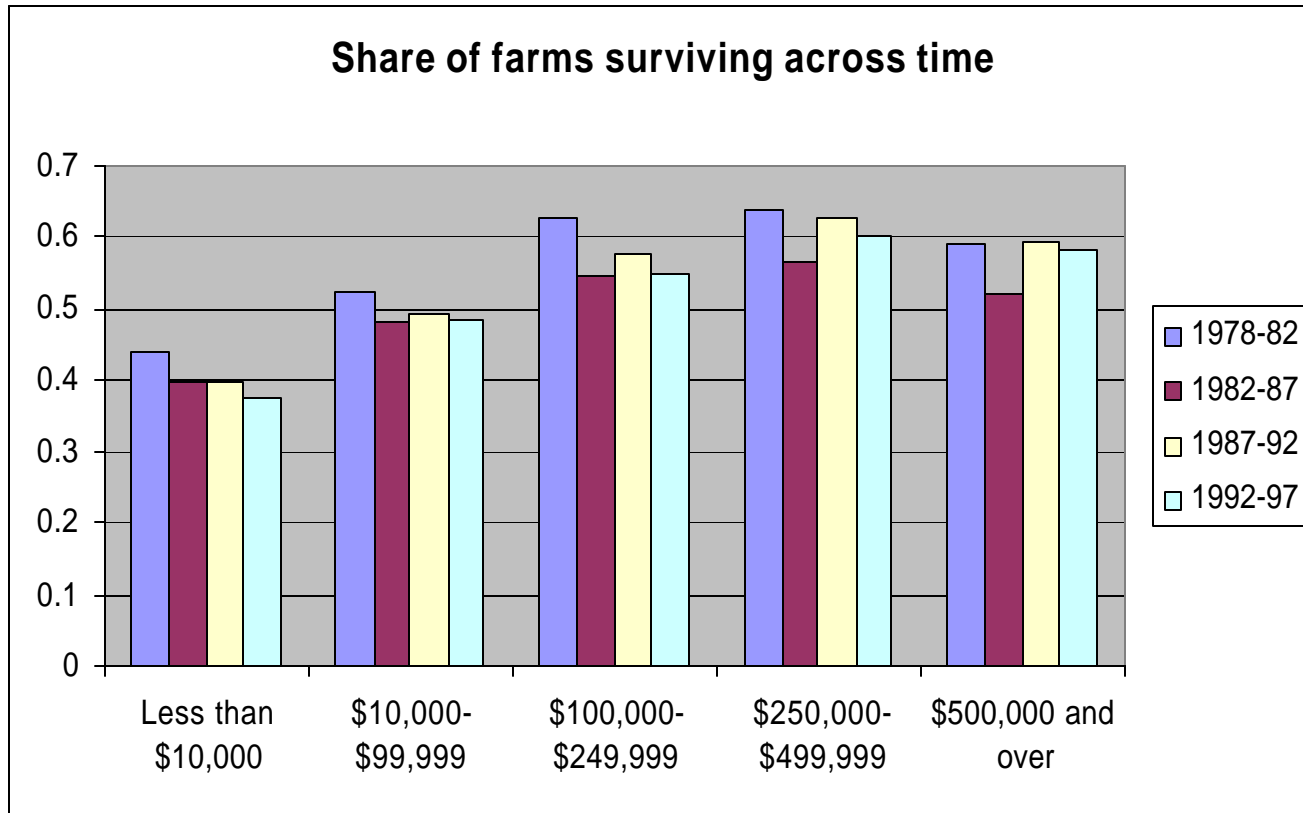
Receipt of farm payments: Percent of farms receiving any and Percent payments are of gross cash income, 2003



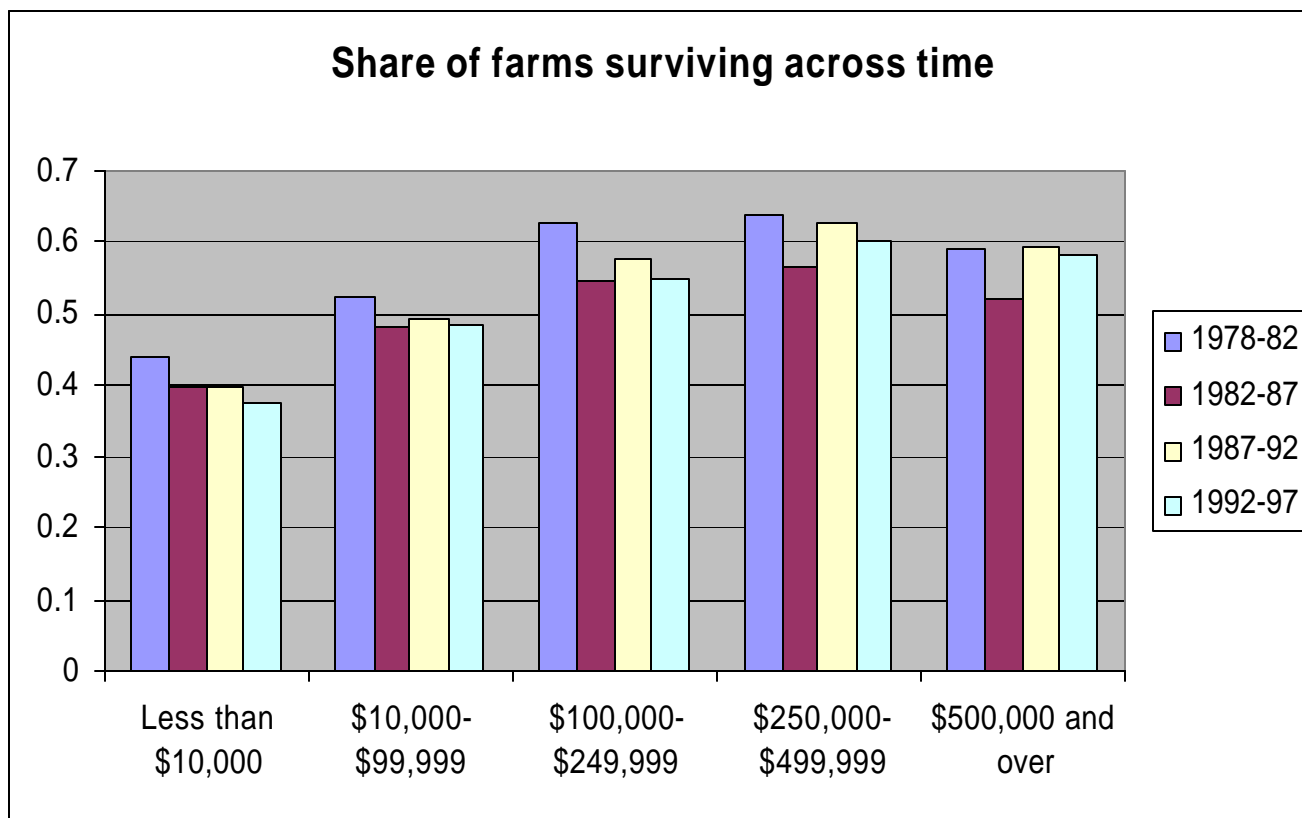
Households that operate commercial farms--with sales of \$250,000 or more--have higher incomes



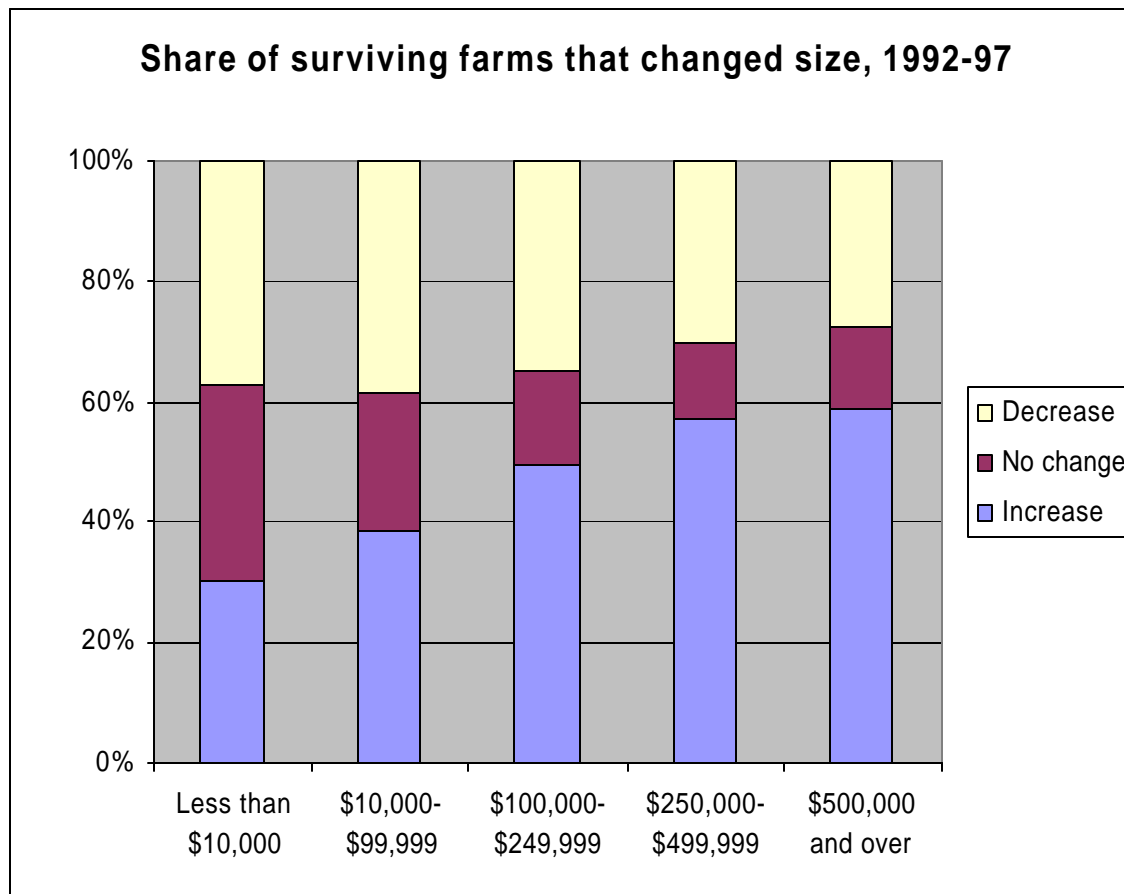
Commercial farms have been more likely to survive over time



Commercial farms have been more likely to survive over time



Commercial farms are more likely to expand in size



- ▶ The high income forecast for the farm sector extends to the household of the principal farm operator.
- ▶ Off-farm income continues to be the major income source.
- ▶ Net worth of farm operator households is 8 times the size of the average U.S. household.
- ▶ A small group of farm operator households are classified as limited resource farmers.
- ▶ Farm households receiving government payments are better off than the average U.S. household and other farm households.
- ▶ Commercial farms are well poised financially to provide for food needs into the future.

<http://www.ers.usda.gov/Briefing/FarmIncome/>

